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SUBJECT: RESIDENCE PERMIT REFORM: "OLD WINE IN NEW BOTTLE"
VEXES CHINA'S MIGRANTS

REF: 05 BEIJING 20606

Classified By: Political Section Internal Unit Chief Susan A. Thornton.
Reasons 1.4 (b/d).

Summary

1. (C) An official announcement that residence permits in 12 provinces and regions will no longer classify citizens as rural or non-rural has pushed debate over China's household registration system back to the fore in media and academic circles. But as with previous declarations of reform, the measures amount to little more than a public relations exercise meant to trumpet Government responsiveness to the needs of disadvantaged citizens, our contacts said. Eliminating the distinction between rural and non-rural residence status does not make it any easier for migrants to obtain resident status in the places where they work, where they remain frozen out of basic social benefits. Any genuine elimination of this formal rural/urban divide would potentially have huge consequences for localities, who under the current system are responsible for providing social services for urban dwellers. In an indication of the hollowness of this latest pronouncement, even China's official press is heaping scorn on the initiative. Our contacts, taking a similar view, said financial and social strains will prevent any real reform in the near term. In the meantime, the gap between urban and rural -- and migrant and urban white-collar workers -- remains as wide as ever. End Summary.

Rural vs. Urban

2. (C) The Ministry of Public Security trumpeted the elimination of the rural/urban designation on residence permits in Hebei, Liaoning, Jiangsu, Zhejiang, Fujian, Shandong, Hubei, Hunan, Guangxi, Chongqing, Sichuan and Shaanxi in a March 30 press announcement. The Central Government established the household registration system, including the rural/urban distinction, in 1958 after the disastrous famines brought on by the Great Leap Forward and forced collectivization. Originally, individuals with urban permits were entitled to food allotments, while rural residents were responsible for food production with no assurance of allocations for themselves. This aspect of the differentiation in status has disappeared with the marketization of China's economy.

3. (C) But the distinction has retained importance in terms of land rights, housing and social services, our contacts said. A rural resident can use land for farming or building. An urban resident can obtain an

apartment in the city more easily but has no right to use or develop land. Moreover, China's social safety net system mirrors the rural/urban distinction. Though still underdeveloped, the urban pension, health care and unemployment insurance systems offer far better benefits than the scant personal pension and health insurance plans in rural areas.

Even Official Media Critical

14. (C) In assessing the latest announcement of "reform," Embassy contacts maintained that the changes have done nothing to make it easier for migrants to register in the districts where they work. China's press has seized on this angle of the story, with most articles taking a negative slant and complaining that the measures are inadequate to ease the burdens on migrants. The official Xinhuanet online newssite ran a feature on April 2 under the headline "Old Wine, New Bottle," in which the reporters quoted migrants grouching that the measure does nothing to address their needs. "I still have no social security and no medical care," one migrant in Ningxia complained in the piece. Sohu.com published a similar story on April 5 and the high-circulation magazine China Newsweek's lead opinion piece on April 9 also discussed the subject. It concluded that such stop-gap measures or creating a "green card"-style guest worker system that would allow cities to cherry pick the laborers they say they need "can only harm people's confidence in the government."

A Budget Buster

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15. (C) The elimination of the rural/urban distinction has "not been well thought out," said Zhang Zhanxin, a scholar at the Chinese Academy for Social Sciences who focuses on migration issues. He dismissed the reforms as little more than public relations -- that is, the Central Government wants to give the impression that it is doing something to address the stark development divide between China's urban and rural areas. Zhang judged that real reform will be slow in coming largely because municipal governments are keen to avoid fiscal responsibility for the newcomers. According to Chinese law, a given administrative district is responsible for providing services, including paying social benefits, to citizens registered there.

16. (C) In this vein, if the millions of migrants currently in Beijing suddenly became legal residents, it would be a budget buster for the city government, Zhang said. Li Qiang (protect), Dean of the Sociology Department at Tsinghua University, said that by his school's research estimates, Beijing's population is currently 16 million, of whom roughly 4 million are migrants. The level of an individual's social security, including pension and unemployment payouts, remains tied to the location of legal residence. In connection with this, it behooves local governments to keep people divided according to residence permit location "so they know who they are responsible for and who they are not responsible for," Zhang observed. Under this system, migrants are basically second-class citizens. Paying extra administrative fees (or bribes) can ease the way in terms of school enrollment for migrant children or health care, but most migrants' salaries are a fraction of that of their urban resident counterparts.

Discrimination Against Migrants

17. (C) As a result, the announcement was a disappointment to most in the mobile workforce, said Wei Wei, founder of the Little Bird NGO, which advocates on behalf of migrants. "The new rules do nothing to address the discriminatory situation most migrants face," he complained. Education is a prime example. A recent People's University survey indicated that as many as 40 percent of migrant workers in Beijing bring spouses and children with them. Wei Wei said primary and high schools regularly apply steep administrative fees for enrollment of pupils without valid residence permits for the district. In addition, when it comes time to take the national college entry exam, migrant students are at a major disadvantage. The grade threshold for university admittance for residents of showcase cities such as Beijing and Shanghai is lower than for students whose household registrations are in the provinces, so migrant test takers must score higher than their urban classmates. This is precisely the kind of unequal policy that builds resentment among migrant workers, Wei Wei said.

18. (C) The 12 provinces that, according to the MPS announcement, are moving ahead with the elimination of the rural/urban distinction are generally among the more affluent and want to encourage urbanization, said Ma Rong, a professor at Beijing University who researches demographics. They want to ease the path for people to move where the employment opportunities are, even if eliminating the rural/urban distinction is only a partial fix. In this vein, while Ma shared the view of Zhang of CASS and others that the new measures constitute just a small step, he highlighted one bright spot. At a time when gaps between urban and rural, coast and interior and rich and poor are as pronounced as ever, anything that eliminates divisions in society is a positive, even if it is only on paper.

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